

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS CAIRO 003147

SIPDIS

STATE FOR NEA/ELA, NEA/RA, AND EB/IFD
TREASURY FOR MILLS/NUGENT/PETERS
USAID FOR ANE/MEA MCCLOUD
COMMERCE FOR 4520/ITA/MAC/ANESA/TALAAT

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [EAID](#) [EG](#)

SUBJECT: EGYPTIAN AMERICAN BANK: BOARD OF DIRECTORS
APPROVES SALE

REF: CAIRO 2967

1. (C) The Board of Directors of the Egyptian American Bank (EAB) met last week to approve the sale of EAB to a strategic investor, as reported in reftel. According to EAB General Manager Roderick Richards, the Bank of Alexandria (BOA) was instructed by the Central Bank of Egypt (CBE) to sell its 33.8 percent stake in EAB as part of the preparation for BOA's privatization. American Express Bank, the other major EAB shareholder with a 40.8 percent stake, did not want to become the minority stakeholder in the bank with a new strategic investor, thus prompting the decision to sell EAB in its entirety. According to Richards, EAB management, working through an investment bank advisor, will ask potential purchasers to buy 100% of the bank. This means potential purchasers will have to offer a price attractive to the holders of the bank's freely traded shares (approximately 25 percent). Richards did not anticipate difficulty finding a purchaser to offer a bid for 100% of the bank, as EAB is "the strongest bank operating in Egypt."

2. (C) Richards mentioned that one possible scenario for the sale of EAB is purchase by a regional bank from the Gulf. He suggested an offer might be received from one of the banks owned by the Government of Abu Dhabi, which has expressed interest in investing \$1 billion in Egypt. When asked whether the current management of the bank would stay on, he hedged a bit, replying the any purchaser would be "foolish" to remove the bank's current management, as it has made EAB one of the top performing bank in the Egyptian banking sector.

3. (SBU) Comment: In addition to the sale of EAB, several other deals have recently been concluded by joint venture banks. The Arab African International Bank announced plans to merge with Misr America International Bank and the National Bank of Egypt announced plans to acquire Mohandes Bank. The investment firm handling the sale of the 28.6% public share of Misr International Bank also recently announced that it would be soliciting offers for the shares from Arab and international financial institutions. The banking sector appears to be acting quickly to meet the directives of the CBE regarding divesting public shares in joint venture banks. The outcome of EAB's sale will provide a good indication of international investors' assessment of the future potential of Egypt's banking sector.

Visit Embassy Cairo's Classified Website:
<http://www.state.sgov.gov/p/nea/cairo>

You can also access this site through the
State Department's Classified SIPRNET website.

GRAY